Massachusetts governor's fiscal control board rams through privatizations of public transit

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Recent decisions made by the Fiscal and Management Control Board (FMCB) created by Massachusetts Governor Charlie Baker after the winter-driven collapse of Boston-area public transit in February 2015 highlight the role of this unelected and undemocratic body in plans to privatize public transportation and attack workers' rights.

The Massachusetts Bay Transportation Authority (MBTA, the "T") has two spare parts warehouses that store and distribute parts needed for the maintenance of its buses, subway cars and trolleys. Earlier this year MBTA management hired the firm Optio Tempore and its managing partner, Ernest Miller, to audit the spare parts operations. The firm's web site touts Miller's ability "to increase profits, reduce costs, and grow business."

Miller's report led to sensational coverage in the local press about the inefficiency of the warehouses (for example, the number of days it takes to fill orders placed by the maintenance garages) and the $22.7 million of excess inventory on hand. While these problems could easily be solved by improving management and changing the operating hours of the supply warehouses (which are open only 40 hours per week), it is clear that the purpose of the audit was to pave the way for privatization.

MBTA Chief Procurement Officer Gerald Polcari called the outsourcing plan a "game-changer." That the privatization of the warehouse operation is only an opening salvo in this attack on jobs can be seen in the small amounts of money involved: $62 million of inventory and $4.2 million of workers' salaries.

In contrast, the capital spending needed to bring all MBTA equipment back to a State of Good Repair is at least $7.3 billion, and could go as high as $28 billion over the next 25 years. Nor has concern about salaries stopped the creation of new jobs in upper management, which include a chief administrator, chief financial officer, chief procurement officer, director of capital programs, etc.

On June 12 the *Boston Globe* published the results of Miller's audit, and on June 13 it was reported to the FMCB at their regular meeting. The minutes of that meeting do not record a vote on privatization, but by June 30 a request for proposals (RFP) was up on the T's web site. Only registered vendors can access the RFP, with the result that the public is in the dark about its details.

The response of Boston Carmen's Union Local 589, which represents more than 4,000 MBTA workers, was craven. Its president, James O'Brien, went before the FMCB and proposed an agreement that would result in an 11 percent pay cut for new employees over their first four years and reduce other workers' yearly raises from 2.5 percent to 1.5 percent, if MBTA management would agree not to privatize.

In an interview published by CBS affiliate WBZ on July 3, MBTA General Manager Brian Shortsleeve reacted to the Carmen's Union's gambit by agreeing to the wage cuts while refusing to concede on privatization. Having taken the measure of the union's leadership, Shortsleeve told interviewer Jon Keller, "[W]e've had a very constructive dialogue with the Carmen's Union over the past six months, and I want to commend them for stepping forward with wage concessions."

Union leadership is also represented on the FMCB. One of the board's five members is Brian Lang, the President of UNITE HERE Local 26, which has a membership of 7,000 hotel and food service workers.

A separate audit of the MBTA's money-counting facility is likewise being used to force through privatization. The *Boston Herald* reported on July 6 about a vault door handle held together with duct tape, excessive numbers of fare box keys, and a worker who "had been spotted wearing basketball shorts and flip-flops." The actual audit report has not been made public, and a Google search for the consultant who wrote it—listed in media reports as 4 Demand—does not return any business information. Nonetheless, MBTA police at the cash facility have been replaced with personnel from the international security firm G4S.

The FMCB is also planning attacks on workers' pensions. A presentation on the topic at its June 27 meeting complained of a net outflow of money from the pension fund because there are more retirees than active members. The presentation blamed this ratio on the age of eligibility for retirement with full benefits. The clear implication is that this age will be raised by MBTA management in collaboration with the unions.

The presentation also makes clear—as did General Manager Shortsleeve in a *Boston Herald* article—that workers will be forced to contribute more toward their pensions than is called for in the current union contracts, which are supposed to run through June 2018. The MBTA's contributions to the pension fund, estimated at $87 million in the fiscal year 2017 budget—pale in comparison to the annual debt service of more than $400 million paid to predatory holders of the MBTA's capital bonds.

These attacks on jobs and pensions come as MBTA riders are being forced to pay fare increases averaging 9.3 percent, which went into effect July 1. According to a report by the Massachusetts Taxpayers Foundation, the MBTA estimates that the fare increases and savings in the operating budget from privatization and pension cuts will result in $700 million that can be moved to deferred maintenance spending over the next five years.

The usual funding model for capital projects, including the system's $7.3 billion of deferred maintenance, is to borrow the money through bonds and charge the interest and debt amortization to the operating budget. Yearly debt service currently sucks up more than $450 million out of an operating budget around $2 billion. Moving money from the operating budget back into the capital budget without issuing additional bonds would be a change in this practice. While there might be some future savings in debt service, they would not be significant. MBTA debt already contains $5 billion of outstanding principal.

While Shortsleeve and the FMCB pit workers against riders in order to reduce the operating budget slightly, they will make no attempt to increase tax revenues from large employers like Fidelity Investments, State Street Bank, General Electric and others. Corporate income taxes make up less than 10 percent of state revenues in Massachusetts, and Republican Governor Baker has pledged not to raise them.